

Bringing physician clinic costs under control saves \$1.2 million

Developing a supply purchasing formulary jumps up on-contract buying 73 percent

Saint Luke's Health System

Kansas City, Mo.

The system includes 10 hospitals, more than 210 nonacute locations and 640 physicians. Saint Luke's provides comprehensive health care for a metropolitan area of two million people, and a service area spanning 67 counties in Kansas and Missouri. The major services it offers include cardiovascular, stroke and spinal, behavioral, neonatal intensive care and level I trauma care.

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Michael Darling
Vice President for Supply Chain

Challenge

In just two years, nonacute services at Saint Luke's Health System exploded from about 100 physicians in 20 locations to more than 640 physicians in more than 210 clinics, offices, outpatient departments, skilled nursing and home care agencies across the metropolitan area. With expansion came challenges common among fast-growing integrated health systems.

While Saint Luke's inpatient supply chain worked well, only about 10 percent of nonacute supplies were purchased through system contracts. Most clinics bought as they did before joining Saint Luke's, sometimes with personal credit cards. They used six medical supply distributors, plus local pharmacies and office product stores. Purchasing standards were nonexistent.

With close to \$7 million in annual supply costs, the savings opportunity was substantial. Standardized supply formularies, contracts and operating procedures that specifically addressed clinic needs had to be developed.

Controlling nonacute supplies was critical not just because it was one of the system's fastest growing nonsalary costs. It also was essential to fulfill Saint Luke's mission to deliver high-value, coordinated, care through a community-based service network.

Solution

Consolidation of dispersed clinic buying

With years successfully partnering on inpatient supplies, Saint Luke's turned to Vizient™, said Michael Darling, the 10-hospital system's vice president for supply chain. "The goal was to standardize cost and products, and make sure contract savings were maximized through Vizient Nonacute Solutions."

Vizient Nonacute account executives understand that clinic supply needs differ from inpatient needs. At Saint Luke's, inpatient stays average 1.74 days with supplies running \$300 to \$350. Physician office visits typically take 15 to 17 minutes with supplies costing \$6 to \$10—multiplied by 20 for total visits per day.

“If you can save 50 cents on an \$8-average visit cost, it can have a huge impact,” Darling said. The trick is saving those 50 cents consistently, systemwide.

Formularies were job one. Saint Luke's and the Vizient team identified items commonly used across practices, including disposable gloves, exam table covers and drugs. They identified similar items, and eliminated redundancies where possible. A newly created value analysis team including physicians, other clinicians and office managers made the final decisions. They agreed on a formulary covering most clinic supplies with little dissent, Darling said.

With help from Vizient nonacute experts, Saint Luke's negotiated more than 100 new purchasing contracts covering most of its clinic supplies. Regulatory expertise from the Vizient Nonacute Solutions team helped control costs, especially on some high cost equipment. For example, they identified temperature-monitored refrigerators for vaccine storage that meet ambulatory requirements at about \$1,500 less than those meeting stricter hospital standards.

As Saint Luke's adds new clinics, Darling's team assesses their needs before ordering. This helps Saint Luke's expand its formulary as needed to support new nonacute services.

There's an app for that

The Vizient Nonacute Solutions team helped Saint Luke's clinics kick the credit card habit by loading the new supply formulary onto the system's online ordering system, making it available on any computer, tablet or smart phone. This makes ordering off the formulary convenient and hardwires nonacute supply chain operating procedures for new physician practices, Darling said. “We can have them fully functioning within a week.”

Externally, Vizient Nonacute and Saint Luke's reduced six distributors to one. With the selected distributor, they built a new ordering system specifically for clinics. All 210 locations—plus each new addition—are rostered so that every order counts toward Saint Luke's contracts. “As we grow we can access additional contract tiers to further maximize savings,” Darling said.

Monthly conference calls help Saint Luke's, Vizient and its distributor spot new opportunities and resolve issues. “We collectively identify weak spots and new technology that can help. We have increased contract throughput and the dollar value of our agreements,” Darling said.

Results

\$1.2 million saved in one year and more to come

It took six months for Saint Luke's working with Vizient to put the whole system in place. The first year it saved nearly 13 percent, or about \$1.2 million, Darling said. That included about \$700,000 from distribution costs, and \$500,000 from contract discounts.

Saint Luke's on-contract clinic buying jumped from about 10 percent to 83 percent, Darling said. Formulary compliance exceeded 97 percent. “That's pretty much unheard of.”

The supply system also helps Saint Luke's understand its cost per case at different clinics. Darling foresees applying it to ambulatory surgery centers, step-down units, cancer and other specialty outpatient care, complex devices such as ultrasound transducers and even capital projects. He projects total nonacute spend to triple or more to \$25 million in five years, making the system even more a necessity.

Darling emphasizes the value of standardization through collaboration enabled by the Vizient Nonacute Solutions team. “We can always find a cheaper price. By standardizing we create sustainability. If we make sure patient outcomes are good and we are able to fully benefit from our contracts, we will have sustainability because overall costs and quality will be maximized,” Darling said.

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Figure 1
12.9% nonacute supply savings advance integrated care strategy

| Strategy | Savings year 1 |
|---|----------------|
| Consolidating clinic distribution costs | \$700,000 |
| Compliance with new contracts at 83% | \$500,000 |
| Future success of Saint Luke’s value-based care continuum | Priceless |

Figure 2
High-volume, low-dollar: mastering the nonacute supply chain

Where inpatient supply costs are large and consolidated, nonacute supply costs are small and dispersed. Standardizing and automating contracts and ordering processes across dozens of locations are essential.

| | Inpatient | Clinic |
|------------------------------------|--------------------|---------------|
| Length of stay | 1.74 days | 15-17 minutes |
| Nonlabor supply cost per encounter | \$300-\$350 | \$6-\$10 |
| Number of locations | 10 acute hospitals | 90+ clinics |

As the nation’s largest member-driven health care performance improvement company, Vizient provides network-powered insights in the critical areas of clinical, operational, and supply chain performance and empowers members to deliver exceptional, cost-effective care.



For more information about Vizient Nonacute Solutions, visit www.vizientinc.com/nonacute or email us at nonacute@vizientinc.com.